

**PORT CITY ENTERPRISES, INC.**

\*\*\*\*\*

**FINANCIAL STATEMENTS**

\*\*\*\*\*

**JUNE 30, 2003 AND 2002**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 10-29-03

**PORT CITY ENTERPRISES, INC.  
JUNE 30, 2003 AND 2002  
TABLE OF CONTENTS**

<u>Independent Auditor's Reports:</u>	Page
Independent Auditor's Report	1
Independent Auditor's Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	2
<u>Financial Statements:</u>	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Statement of Functional Expenses	6
Notes to Financial Statements	7-9

**ROY HEBERT**  
CERTIFIED PUBLIC ACCOUNTANT

7938 GOODWOOD BOULEVARD  
BATON ROUGE, LOUISIANA 70806-7629  
(225) 927-7555  
(225) 927-7556 FAX

MEMBER OF  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
SOCIETY OF LOUISIANA  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Port City Enterprises, Inc.

I have audited the accompanying statements of financial position of Port City Enterprises, Inc. (a non-profit organization) as of June 30, 2003, and 2002, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Port City Enterprises, Inc. as of June 30, 2003, and 2002, and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated September 17, 2003, on my consideration of Port City Enterprises, Inc.'s compliance with certain provisions of laws, regulations, contracts, and grants, and on internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audits.



Baton Rouge, Louisiana  
September 17, 2003

**ROY HEBERT**  
CERTIFIED PUBLIC ACCOUNTANT

7938 GOODWOOD BOULEVARD  
BATON ROUGE, LOUISIANA 70806-7629  
(225) 927-7555  
(225) 927-7556 FAX

MEMBER OF  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
SOCIETY OF LOUISIANA  
CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors  
Port City Enterprises, Inc.

I have audited the financial statements of Port City Enterprises, Inc. (a nonprofit organization) as of and for the years ended June 30, 2003, and 2002, and have issued my report thereon dated September 17, 2003. I conducted my audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

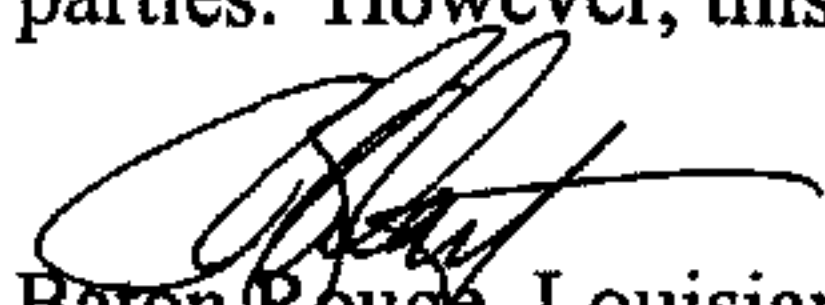
Compliance

As part of obtaining reasonable assurance about whether Port City Enterprises, Inc.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audits, I considered Port City Enterprises, Inc.'s internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control structure and its operation that I consider to be material weaknesses as defined above.

This report is intended for the information of the board of directors, management, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

  
Baton Rouge, Louisiana  
September 17, 2003

**PORT CITY ENTERPRISES, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2003 AND 2002**

ASSETS	<u>2003</u>	<u>2002</u>
Current Assets		
Cash	\$ 216,510	\$ 191,596
Accounts receivables	41,653	36,790
Prepaid insurance	<u>0</u>	<u>646</u>
Total current assets	<u>258,163</u>	<u>229,031</u>
Property, plant, and equipment		
Greenhouse	7,982	7,982
Lawn equipment	18,071	18,520
Office furniture and equipment	9,538	7,516
Vehicles	54,610	54,610
Leasehold improvements	<u>23,469</u>	<u>23,469</u>
	113,671	112,098
Less accumulated depreciation and amortization	<u>(62,848)</u>	<u>(49,896)</u>
Net property, plant, and equipment	<u>50,823</u>	<u>62,202</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 308,986</u></b>	<b><u>\$ 291,233</u></b>
<b>LIABILITIES AND NET ASSETS</b>	<b><u>2003</u></b>	<b><u>2002</u></b>
Current liabilities		
Accounts payable	\$ 1,627	\$ 1,476
Accrued expenses	14	1,356
Payroll withholdings	<u>(12)</u>	<u>2,647</u>
Total current liabilities	<u>1,629</u>	<u>5,479</u>
Net assets		
Unrestricted	<u>307,357</u>	<u>285,754</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 308,986</u></b>	<b><u>\$ 291,233</u></b>

The accompanying notes are an integral part of these financial statements.

**PORT CITY ENTERPRISES, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2003, AND 2002**

	<u>2003</u>	<u>2002</u>
<b>SUPPORT AND REVENUE</b>		
Support:		
Contributions	\$ 16,864	\$ 16,900
Total support	<u>16,864</u>	<u>16,900</u>
Revenue:		
Contract/grant funds	337,313	323,436
Interest income	2,201	4,531
Miscellaneous income	<u>3,118</u>	<u>3,755</u>
Total revenue	<u>342,632</u>	<u>331,723</u>
Total support and revenue	<u>359,496</u>	<u>348,623</u>
<b>EXPENSES</b>		
Program services	299,404	286,776
Supporting services-management and general	<u>38,489</u>	<u>36,162</u>
	<u>337,893</u>	<u>322,938</u>
Change in net assets	21,603	25,685
Net assets, beginning of the year	<u>285,754</u>	<u>260,070</u>
Net assets, end of the year	<u>\$ 307,357</u>	<u>\$ 285,754</u>

The accompanying notes are an integral part of these financial statements.

**PORT CITY ENTERPRISES, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 21,603	\$ 25,685
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	14,265	18,725
(Gain) loss on disposal of property	0	(1,450)
(Increase) decrease in accounts receivable	(4,864)	(11,218)
(Increase) decrease in prepaid assets	646	(646)
Increase (decrease) in accounts payable	151	(284)
Increase (decrease) in accrued expenses	(1,342)	1,111
Increase (decrease) in payroll withholdings	(2,659)	2,402
Total adjustments	<u>6,198</u>	<u>8,640</u>
Net cash provided (used) by operating activities	<u>27,801</u>	<u>34,325</u>
Cash flows from investing activities		
Proceeds from disposal of fixed assets	0	2,980
Purchases of fixed assets	(2,887)	(43,460)
Net cash provided (used) by investing activities	<u>(2,887)</u>	<u>(40,479)</u>
Net increase (decrease) in cash and equivalents	24,914	(6,155)
Cash and equivalents at beginning of the year	<u>191,596</u>	<u>197,750</u>
Cash and equivalents at end of the year	<u>\$ 216,510</u>	<u>\$ 191,596</u>

The accompanying notes are an integral part of these financial statement.

**PORT CITY ENTERPRISES, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED JUNE 30, 2003, AND 2002**

	<b>2003</b>			<b>2002</b>		
	Program Services	Management and General	Totals	Program Services	Management and General	Totals
Advertising	\$ 0	\$ 98	\$ 98	\$ 0	\$ 449	\$ 449
Bank charges	0	90	90	0	116	116
Depreciation expense	12,839	1,427	14,265	16,852	1,873	18,725
Directors' meetings	0	245	245	0	313	313
Facilities costs	10,800	1,200	12,000	10,800	1,200	12,000
Insurance	21,360	3,042	24,402	20,014	2,118	22,132
Licenses	0	620	620	0	159	159
Medical services	15	0	15	165	0	165
Miscellaneous expenses	321	207	528	268	188	456
Pager and cell phone	1,852	0	1,852	2,015	0	2,015
Payroll taxes	15,662	1,550	17,212	14,823	1,487	16,310
Pest control	329	37	366	350	39	389
Postage	0	378	378	0	312	312
Professional fees	5,793	5,793	11,585	5,853	5,853	11,705
Repairs	5,796	55	5,852	3,692	92	3,784
Salaries	202,765	20,071	222,836	191,641	19,222	210,863
Security	479	53	532	269	30	299
Services for clients	1,936	0	1,936	1,799	0	1,799
Staff training	298	0	298	225	0	225
Staff travel	7,839	0	7,839	5,424	0	5,424
Supplies	9,246	3,394	12,639	10,754	2,508	13,262
Telephone	2,076	231	2,307	1,833	204	2,037
Total expenses	<u>\$ 299,404</u>	<u>\$ 38,489</u>	<u>\$ 337,893</u>	<u>\$ 286,776</u>	<u>\$ 36,162</u>	<u>\$ 322,938</u>

The accompanying notes are an integral part of these financial statements.

**PORT CITY ENTERPRISES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2003 AND 2002**

**NOTE 1- Summary of Significant Accounting Policies**

Basis of Accounting

The financial statements of Port City Enterprises, Inc. have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Financial Statement Presentation

Port City Enterprises, Inc. follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profits Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Donated Facilities Costs

The West Baton Rouge Parish Police Jury provides facilities, including utilities and building maintenance, for the use of Port City Enterprises, Inc. This provision is made at no cost to the organization. Management has estimated that the fair market value of the facility usage, utilities and building maintenance at \$12,000. The financial statements reflect \$12,000 of support from this in-kind donation and \$12,000 of expense in connection with facility costs.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported support and revenue and expenses. Actual results could differ from those estimates.

Expense Allocation

The costs of providing various programs and other activities have summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated between program and supporting services benefited.

All directly identifiable expenses are charged to program and supporting services. Expenses related to more than one function are charged to program and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

**PORT CITY ENTERPRISES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2003 AND 2002**

**Nature of Activities**

Port City Enterprises, Inc. is organized for the purpose of assisting people with developmental disabilities in finding and maintaining community based employment of their own choosing, to educate the public concerning the rights of individuals with disabilities and supported employment programs in general, to advocate for the employment of individuals with severe disabilities in community settings where the majority of co-workers are individuals without severe disabilities, and to act as an information clearinghouse for programs offering supported employment services regarding best practices, and policies and procedures specific to the State of Louisiana.

**Property and Equipment**

Property and equipment are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

**Leasehold Improvements**

Leasehold improvements are carried at cost. Amortization is computed using the straight-line method over the estimated useful lives of the respective improvements. When improvements are abandoned or otherwise disposed of, the cost and related accumulated amortization are removed from the accounts and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to expense as incurred.

**NOTE 2-Certificates of Deposit**

Certificates of deposit totaling \$94,208 and \$99,268 for 2003 and 2002, respectively, are included in cash in the accompanying financial statements. The certificates bear interest of .5% to 2.00% and .99% to 3.0% in 2003 and 2002, respectively, and have maturities of one to five months and one to nine months, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

**NOTE 3-Fair Values of Financial Instruments**

The estimated fair values of the Organization's financial instruments are as follows:

Cash and certificates of deposit have carrying amounts of \$191,596 and \$216,510 and fair value of the same amounts in 2003 and 2002, respectively. Because of the short maturities of the certificates of deposit, the carrying amounts approximate fair values.

**NOTE 4-Business and Credit Concentrations**

Port City Enterprises, Inc.'s primary sources of revenue are from contracts administered and/or funded by the State of Louisiana and the United States government. During the years presented, approximately 66% and 66% of the Organization's revenues were derived from these sources in 2003 and 2002, respectively. All of the amounts listed as accounts receivable are from these sources.

**PORT CITY ENTERPRISES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2003 AND 2002**

The Organization's clients, during the years presented, all reside within the state of Louisiana.

**ROY HEBERT**  
CERTIFIED PUBLIC ACCOUNTANT

7938 GOODWOOD BOULEVARD  
BATON ROUGE, LOUISIANA 70806-7629  
(225) 927-7555  
(225) 927-7556 FAX

MEMBER OF  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
SOCIETY OF LOUISIANA  
CERTIFIED PUBLIC ACCOUNTANTS

To the Senior Management and  
the Board of Directors  
Port City Enterprises, Inc.

In planning and performing my audit of the financial statements of Port City Enterprises, Inc. for the year ended June 30, 2003, I considered the organization's internal control in order to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

However, during my audit, I became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. (I previously reported on the organization's internal control over financial reporting in my report dated September 17, 2003.) This letter does not affect my report dated September 17, 2003, on the financial statements of Port City Enterprises, Inc.

I will review the status of these comments during my next audit engagement. I will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. My comments are summarized as follows:

**Organizational Structure**

The size of Port City Enterprises, Inc.'s accounting and administrative staff size precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Directors remain actively involved in the financial affairs of the organization to provide oversight and independent review functions.

This comment is identical to the one made upon the completion of the audit for the year ended June 30, 2002, and is the only comment made in connection with that audit.

I wish to thank the Executive Director and her staff for their assistance during my audit.

This report is intended solely for the information and use of the Board of Directors, management, and the Legislative Auditor.



Baton Rouge, Louisiana  
September 17, 2003